

# STATE OF WISCONSIN

SENATE CHAIR  
MARK MILLER

317 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-9170



ASSEMBLY CHAIR  
MARK POCAN

309 East, State Capitol  
P.O. Box 8952  
Madison, WI 53708-8952  
Phone: (608) 266-8570

## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Mark Miller  
Representative Mark Pocan

Date: February 15, 2010

Re: State of Wisconsin Investment Board (SWIB) Quarterly Report

Attached is a report on all expenses that were charged directly to funds managed by (SWIB), pursuant to s. 25.17(13m), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

MM:MP:jm



February 15, 2010

Senator Mark Miller, Co-Chair  
Joint Committee on Finance  
P.O. Box 7882  
Madison WI 53707-7882

Representative Mark Pocan, Co-Chair  
Joint Committee on Finance  
P.O. Box 8952  
Madison WI 53708-8952

Senator Kathleen Vinehout, Co-Chair  
Joint Committee on Audit  
P.O. Box 7882  
Madison WI 53707-7882

Representative Peter Barca, Co-Chair  
Joint Committee on Audit  
P.O. Box 8952  
Madison WI 53708-8952

Mr. Michael Morgan, Secretary  
Department of Administration  
101 East Wilson Street  
P.O. Box 7864  
Madison, WI 53707-7864

Dear Senator Miller, Senator Vinehout, Representative Pocan, Representative Barca and Secretary Morgan:

As required by Section 25.17 (13m), I have attached our quarterly report listing all expenses that were charged directly to funds managed by the State of Wisconsin Investment Board (SWIB or the Board) during the quarter ending December 31, 2009. In addition to the expenses charged to the funds, the report also contains a comparison of assets managed internally and externally for the past four quarters.

The statutes authorize the Board to employ special legal or investment counsel in any matter arising from the scope of our investment authority and to employ professionals, contractors or agents to evaluate or operate any property in which the Board has an interest. The Board may also contract with external advisers to manage various types of investments. Expenses for these services are directly charged to the current income of the fund for which the services were furnished.

This report lists expenses on an accrual basis – when the costs were incurred rather than paid. Providing the information on an accrual basis gives a better picture of quarter to quarter trends in services that are directly charged to the funds. A negative charge typically indicates an adjustment to expenses accrued in a prior quarter or a refund of expenses that were prepaid and subsequently adjusted.

The following highlights changes from the previous quarter:

- Even though assets under management increased over \$10.3 billion during 2009, total management costs for 2009 increased only \$1.5 million over 2008 costs. Public financial markets continued an upswing in the last quarter, but external public market management fees for commingled accounts decreased approximately \$0.4 million primarily due to downsizing and closing some external portfolios and bringing more assets in-house to manage. During the same period, costs for separate external accounts increased by \$0.8 million. This was primarily due to performance fees paid to one manager for good performance on the three-year return and funding a new fixed income portfolio.
- Private equity management fees increased approximately \$0.7 million from the prior quarter. Fees have trended upward in the past year because SWIB had increased its commitment to private equity investments by nearly \$2 billion in 2008 and \$1 billion in 2009. Most fees are associated with newer investments and are based on funded and unfunded commitments, which resulted in the higher fees for 2009. Real estate costs, however, decreased by \$2 million or 21.7% from the third quarter. The decrease was due primarily to one manager adjusting its fee structure and refunding nearly \$2 million. In addition, the continued depressed real estate market resulted in SWIB not investing in many new real estate deals and managers, whose fees are partly based on asset values, receiving lower payments because of the depressed values.
- Overall, investment counsel costs increased by \$217,512 from the prior quarter. This reflects added costs associated with retaining a hedge fund consultant, investment records management consulting, actuarial services and improving securities software functions. The additional costs, however, were offset by reduced payments to Bloomberg and no longer paying fees to BNY Mellon for software consulting services. Quarterly custodial fees paid to BNY Mellon are approximately \$125,000, but the fees were under-accrued by one month during the third quarter. This accounted for the 28.4% increase during the fourth quarter. Nearly all of the legal fees expensed during the fourth quarter were for contracts and agreements required by the International SWAPS and Derivatives Association (ISDA Agreements) for over the counter derivatives.

Attachment A lists all expenses by category. Attachment B provides further explanation about the various expenditure categories. Attachment C includes legal expenses that were capitalized at the time of acquisition or directly associated with the ongoing activity of an asset, such as appraisals or bankruptcy costs. Unlike other expenses listed in this report, these expenses are reflected in the value of the asset or are netted against gross returns of the asset, consistent with standard industry practices.

Attachment D shows the amount and percent of Wisconsin Retirement System (WRS) assets managed internally and externally over the last four quarters. For the tenth consecutive quarter, the percent of total assets managed internally increased. At the end of the fourth quarter 2009, SWIB was managing 41.2% of assets internally compared to 20.7% at the end of 2007. The increase in internal management, which is less costly than external management, was possible only after SWIB received increased staff and budget authority in 2007 and 2008.

We hope this report gives you a clear picture of external expenditures associated with the trust funds' management. Please contact me, however, if you have any questions or comments about the report.

Sincerely,

Keith Bozarth  
Executive Director

A handwritten signature in black ink, appearing to be 'K. Bozarth', with a long horizontal flourish extending to the right.

Attachments

cc: Members, Joint Committee on Finance  
Members, Joint Committee on Audit  
Robert Lang, Legislative Fiscal Bureau  
Janice Mueller, Legislative Audit Bureau

## ATTACHMENT A

**STATE OF WISCONSIN INVESTMENT BOARD**  
**Direct Charges to All Funds Under Management - Accrual Basis**  
**Quarter Ending December 31, 2009**

Charge Category	Service Provided	Charges
<b>Custodial and Banking Fees</b>		
Bankers' Bank	Wisconsin CD Program	\$2,500
BNY Mellon	Master Custody Services	118,610
US Bank	State Banking Services	209
<b>Total Custodial and Banking Fees</b>		<b>512,319</b>
<b>Legal Fees, Services and Expenses</b>		
Foley & Lardner	Investment Legal Services	86,551
<b>Total Legal Fees, Services and Expenses</b>		<b>\$86,551</b>
<b>Investment Counsel</b>		
Abel/Noser Corp.	Trade Analysis	13,333
Ashland Partners & Company LLP	Private Equity General Partners' Distributions Review	11,000
BCA Publications	Global & Domestic Fixed Income Strategy Research	22,569
BioCentury Publications	Biotech Stock News	1,248
Bloomberg, LP	Market, Company, Industry & Benchmark Information	263,570
BNY Mellon	Eagle Pace Implementation	(50,698)
CanDeal.ca Inc.	Canadian Government Bond Trading Service	1,050
Charles River Systems, Inc.	Portfolio Management Software	91,279
Cliffwater LLC	Hedge Fund Investment Consulting	233,333
Connexiti LLC	Supply Chain Data	5,625
Council of Institutional Investors	Corporate Governance	7,500
Courtland Partners	Performance Monitor Reporting	71,250
Covenant Review, LLC	Corporate Bond Research	8,751
Credit Sights	Credit Assessments	18,750
Cutter Associates	Trading Room Consultant	85,678
Data Broadcasting Corporation - CMS Bond Edge	Pricing Service	11,265
Data Explorers Limited	Securities Lending Analysis	3,312
Davis Mendel & Regenstein, Inc.	Online Investment Reports	11,250
	Credit Ratings & Research Reports for Corporate Bond Issuers	1,142
Dominion Bond Rating Service (DBRS)		
Dow Jones & Co	Company and Industry News Service	13,110
Earley & Associates	Records Information Management Consulting	95,983
Ennis, Knupp & Associates	Fiduciary & Governance Consulting	66,250
Factset Data Systems	Financial & Economic Database	97,678
Financial Tools, Inc.	Financial Statement Spreadsheet Software License	324
Fitch Info., Inc.	Credit Rating Service	1,750
FX Alliance LLC	Electronic Platform for Trading Foreign Currencies	5,141
Gabriel Roeder Smith & Co.	Actuarial Consulting	55,000
Gartner, Inc.	Tech Sector Specific Research	9,999

Charge Category	Service Provided	Charges
Gimme Credit	Credit Research	4,938
Hamilton Lane Advisors, LLC	Private Equity Consulting/Reporting Services	300,000
Haver Analytics	Global Macroeconomic Research	16,899
Headstrong Services LLC	Consulting for Eagle Pace	49,793
iMoneyNet, Inc	Money Market Fund Database	11,577
Institutional Investor	Global Fixed Income Institute Membership	7,500
Investor Responsibility & Support Services, Inc	Securities Class Action Support	8,751
Lombard Street Research	Global Economic Analysis	16,263
London Stock Exchange PLC	London Stock Exchange Data	8,322
Maria Fiorini Ramirez	Economic Analysis	1,200
Market Axess Corporation	Bond and Yield Pricing	2,700
McLagan Partners	Compensation Comparison	19,250
Moody's Analytics, Inc.	Economic, Currency & Bond Analysis	33,660
Moody's Investor Service	Corporate Bond Credit Quality Screening	(4,246)
Morgan Stanley Capital International	Developed Markets Security Data	27,624
Morningstar, Inc.	Benchmark & Performance Data	156
Morningstar, Inc.	Historical Return Analysis	375
National Council of Real Estate Investment Fiduciaries	Real Estate Performance	625
New York Stock Exchange	New York Stock Exchange Data	7,390
Property & Portfolio Research	Real Estate Consulting & Electronic Services	27,500
QTI Professional Staffing, Inc	Investment Staff Recruitment Consulting	2,000
Quantitative Services Group LLC	Access to Quantitative Data	31,460
Reuters America Inc.	News, Economic & Company Research & Analytics	22,064
RiskMetrics Group	Proxy Voting Analysis	42,670
Russell Investment Group	Index Data Feeds	7,084
S.R. Batliboi & Company	Tax Compliance Services Required by Government of India	5,781
Salomon Analytics Yield Book	Fixed Income Portfolio Risk & Optimization Modeling/Analysis	18,750
SNL Financial	Customized Analysis of Bank Investments	10,977
Standard & Poor's	Industry & Corporate Research	68,574
StepStone Group LLC	Private Equity Consultant	43,750
Strategic Economic Decisions	Research Reports	6,251
Strategic Investment Solutions, Inc.	Asset Allocation & Benchmark Consulting	70,000
StreetAccount LLC	Tracks Portfolio and Historical Information	1,650
Telsey Advisory Group	Consumer Sector Research	31,251
The Corporate Library	Proxy Voting Research Data	4,626
The Markets.com	Detailed Research Service	5,435
Thomson Financial Services	Electronic Research Pricing (Autex, StreetEvents, FirstCall)	75,967
Toronto Stock Exchange	Market Data/Traders	1,748
Trade Web	On-Line Fixed Income Trading Service	7,800
Tradeweb Markets, LLC	Electronic Research Pricing	500
Wilshire Associates	Performance Measurement, Portfolio Management & Analytics	113,000
World Bank Publications	Historical Emerging Market Countries Macroeconomic Data	192
Total Investment Counsel		\$2,268,248
Real Estate Investment Management Services		
Apollo Advisors	Real Estate Management Services	26,261
Archstone - Smith Trust	Real Estate Management Services	209,714

Charge Category	Service Provided	Charges
Berkshire Property Advisors, LLC	Real Estate Management Services	365,658
Blackstone Management Partners VI LLC	Real Estate Management Services	562,500
Bristol Group, Inc.	Real Estate Management Services	77,490
BVP Managers, LLC	Real Estate Management Services	375,000
Callahan Capital	Real Estate Management Services	355,609
Capital Trust	Real Estate Management Services	439,320
Centerline Capital Group	Real Estate Management Services	187,500
Cornerstone Real Estate Advisors	Real Estate Management Services	232,358
Essex VFGP	Real Estate Management Services	125,000
Fortress Investment Corp.	Real Estate Management Services	700,533
Goldman Sachs & Co.	Real Estate Management Services	55,678
Guggenheim Structured Real Estate Advisors, LLC	Real Estate Management Services	75,491
Hawkeye Partners LP	Real Estate Management Services	96,699
Heitman Capital Management Corp.	Real Estate Management Services	39,018
Henderson Global Investors (North America) Inc.	Real Estate Management Services	246,544
Hudson Advisors	Real Estate Management Services	487,651
Invesco Realty Advisors, Inc.	Real Estate Management Services	218,596
JP Morgan Investment Management	Real Estate Management Services	1,203,606
Kensington Realty Advisors	Real Estate Management Services	129,989
Koff Bren Realty Advisors	Real Estate Management Services	18,297
KTR Capital Partners	Real Estate Management Services	434,056
Landmark Realty Advisors	Real Estate Management Services	7,090
Lazard Freres	Real Estate Management Services	88,723
Lowe's Structured Real Estate	Real Estate Management Services	113,754
Mesa West Capital LLC	Real Estate Management Services	367,039
MMA Realty Capital	Real Estate Management Services	2,721
Morgan Stanley	Real Estate Management Services	116,936
Northwestern Mutual Life	Real Estate Management Services	5,683
Prudential (senior housing)	Real Estate Management Services	127,796
Rockpoint Group LLC	Real Estate Management Services	381,264
Rockspring Property Investment Managers	Real Estate Management Services	89,601
RREEF	Real Estate Management Services	427,487
Security Capital	Real Estate Management Services	155,468
Sentinel-Realty Advisors Corp.	Real Estate Management Services	(1,955,903)
The Blackstone Group	Real Estate Management Services	(23,344)
Westbrook Real Estate	Real Estate Management Services	568,806
<b>Total Real Estate Investment Management Services</b>		<b>\$7,125,889</b>

#### Private Equity Management

3I Europe Investment Partners	Private Equity Management	(104,100)
ACI Capital Investors II	Private Equity Management	245,200
Advent International GPE VI, L.P.	Private Equity Management	219,300
Alchemy Partners	Private Equity Management	163,200
Alta Communications IX, LP	Private Equity Management	171,800
American Securities Opportunities Fund, LP	Private Equity Management	117,400
American Securities Partners V, L.P.	Private Equity Management	523,800
Ampersand Ltd Partnership	Private Equity Management	75,300
Apollo European Principal Finance Fund, L.P.	Private Equity Management	452,100

Charge Category	Service Provided	Charges
Apollo Investment Fund IV LP	Private Equity Management	9,600
Apollo Investment Fund VII, L.P.	Private Equity Management	510,500
Ares Corporate Opportunities Fund II, LP	Private Equity Management	109,700
Ares Corporate Opportunities Fund III, L.P.	Private Equity Management	375,000
Ares Corporate Opportunities Fund, LP	Private Equity Management	64,200
Asia Recovery Fund	Private Equity Management	19,300
Avenue Europe Special Situations Fund, L.P.	Private Equity Management	275,700
Avenue Special Situations Fund V, L.P.	Private Equity Management	281,300
Baird Venture Partners	Private Equity Management	78,800
Baird Venture Partners III	Private Equity Management	156,300
Bear Stearns	Private Equity Management	54,900
Bear Stearns Merchant Capital	Private Equity Management	332,600
Birch Hill Equity II	Private Equity Management	43,400
Blackstone Management Partners V LLC	Private Equity Management	261,100
Boston Millennia	Private Equity Management	92,900
Bridgepoint Europe III A LP	Private Equity Management	221,200
Bridgepoint Europe IV, L.P.	Private Equity Management	423,500
Caltius Partners IV, L.P.	Private Equity Management	250,000
Capital Res Partners IV LP	Private Equity Management	50,800
Capital Resource Lenders III	Private Equity Management	9,300
Carlyle Asia Ltd.	Private Equity Management	39,800
Carlyle Partners IV, LP	Private Equity Management	77,800
Carlyle Partners V, L.P.	Private Equity Management	296,100
Cerberus Institutional Partners LP	Private Equity Management	370,000
Charterhouse	Private Equity Management	41,800
Charterhouse Capital Partners IX, L.P.	Private Equity Management	538,600
Charterhouse VIII	Private Equity Management	157,800
Clessidra Capital Partners II	Private Equity Management	216,800
Collier International	Private Equity Management	118,300
Collier International V LP	Private Equity Management	192,100
CVC European Equity Partners IV	Private Equity Management	244,900
CVC European Equity Partners Tandem Fund	Private Equity Management	195,500
CVC European Equity Partners V, L.P.	Private Equity Management	490,200
Cypress Advisors, LP	Private Equity Management	32,100
DAG Ventures IV, LP	Private Equity Management	176,100
Doll Technology Invt Fd II LP	Private Equity Management	15,000
El Dorado Ventures	Private Equity Management	167,300
EQT V, L.P.	Private Equity Management	219,300
Essex Woodlands Hlth Venture V	Private Equity Management	73,300
FFC Partners II, LP	Private Equity Management	56,400
Fortress Invest Fund II LLC	Private Equity Management	5,400
Fortress Invest Fund IV (Coinvestment Fund A) LP	Private Equity Management	18,300
Fortress Invest Fund IV (Fund A) LP	Private Equity Management	25,700
Fortress RIC	Private Equity Management	1,400
Fortress V	Private Equity Management	133,100
Fortress V Coinvestment	Private Equity Management	71,500
Frazier	Private Equity Management	242,300
Friedman Fleischer & Lowe Capital Partners III, L.P.	Private Equity Management	250,300



Charge Category	Service Provided	Charges
Gores Capital Partners II, LP	Private Equity Management	75,000
Graphite	Private Equity Management	366,200
Green Equity Partners V	Private Equity Management	347,300
GS Special Opptys Asia Fd LP	Private Equity Management	100
GTCR	Private Equity Management	(36,600)
Hamilton Lane Co-Investment Fund II, L.P.	Private Equity Management	125,000
Harbourvest International	Private Equity Management	120,300
Hellman & Friedman Capital VI	Private Equity Management	397,200
Industrial Growth Partners	Private Equity Management	600
Insight Equity II, L.P.	Private Equity Management	225,000
Insight Equity Mezzanine I, L.P.	Private Equity Management	56,300
Kelso Investment VII LP	Private Equity Management	55,200
Kelso VIII	Private Equity Management	375,000
KKR 2006 Fund LP	Private Equity Management	621,500
KKR European Fund III, L.P.	Private Equity Management	354,700
KKR European II	Private Equity Management	55,000
Kohlberg Investors VI, LP	Private Equity Management	256,500
Kohlberg Kravis Roberts & CO	Private Equity Management	20,400
KRG Capital Fund IV - A, L.P.	Private Equity Management	19,900
KRG Capital Fund IV, L.P.	Private Equity Management	99,700
Lake Pacific I Gladson, LLC	Private Equity Management	110,000
Lake Pacific Partners, LLC	Private Equity Management	110,000
Lindsay Goldberg and Bessemer II	Private Equity Management	162,300
Lindsay Goldberg III, LP	Private Equity Management	395,100
Lone Star Fund IV LP	Private Equity Management	12,400
Lone Star Fund VI	Private Equity Management	312,500
Mason Wells Partners I, LLC	Private Equity Management	76,300
Mayfield XI LP	Private Equity Management	29,300
Montreux Equity Partners IV, L.P.	Private Equity Management	134,600
New Mountain Partners III, L.P.	Private Equity Management	358,000
Northwestern Mutual Capital Mezzanine Fund I, L.P.	Private Equity Management	236,700
Oak Investment Partners XII, LP	Private Equity Management	200,000
OCM Opportunities Fund VII	Private Equity Management	157,300
OCM Opportunities Fund VIIb, L.P.	Private Equity Management	243,500
Old Lane India Opportunities Fund-T, LP	Private Equity Management	90,400
Peninsula Fund IV LP	Private Equity Management	250,000
Penninsula Fund	Private Equity Management	80,800
Pomona Capital	Private Equity Management	183,500
Pomona Capital VII, L.P.	Private Equity Management	209,000
Providence Equity Partners VI, LP	Private Equity Management	367,200
Providence TMT Special Situations Fund	Private Equity Management	87,500
Providence V	Private Equity Management	56,300
Riverstone/Carlyle GE&P IV	Private Equity Management	185,600
Seaport Capital Partners II	Private Equity Management	42,600
Segulah IV, L.P.	Private Equity Management	124,400
SKM Equity Fund III, LP	Private Equity Management	20,400
Sprout	Private Equity Management	1,200
Stonington Partners	Private Equity Management	26,000

Charge Category	Service Provided	Charges
TA X	Private Equity Management	84,400
TAC 2007, L.P.	Private Equity Management	62,500
TCV VII	Private Equity Management	248,800
Thomas H Lee Manager's V, LLC	Private Equity Management	3,800
Thomas Lee VI	Private Equity Management	253,600
TowerBrook Investors III, L.P.	Private Equity Management	199,500
TPG Partners V, LP	Private Equity Management	411,500
TPG Partners VI, LP	Private Equity Management	651,100
Trident IV, L.P.	Private Equity Management	189,400
Venture Investors	Private Equity Management	56,300
Venture Investors Early Stage Fund IV	Private Equity Management	156,300
Vista Equity Partners Fund III, L.P.	Private Equity Management	196,900
Warburg Pincus Private Equity IX, L.P.	Private Equity Management	323,300
Warburg Pincus Private Equity X, L.P.	Private Equity Management	562,500
Waterland Private Equity Fund IV, C.V.	Private Equity Management	219,300
Wayzata Opportunities Fund II	Private Equity Management	427,000
Windpoint Partners V LP	Private Equity Management	67,000
Windpoint Partners VI LP	Private Equity Management	23,400
Windpoint Partners VII, LP	Private Equity Management	166,100
<b>Total Private Equity Management</b>		<b>\$22,051,200</b>

#### Commingled Account Public Market Management Fees

Blackrock	Quantitative/Enhanced & Index Fund Management	2,561,384
Boston Company, The	Equity Emerging Market Management	2,380,714
Callan Associates Inc.	Fund-of-Funds Small Cap Equity Management	742,320
Capital Guardian Trust Company	Global High Yield Fixed Income Management	501,033
Grantham, Mayo, Van Otterloo	Equity and Fixed Income Emerging Market Management	(1,700)
LSV Asset Management	Quantitative/Enhanced & Index Fund Management	1,106,902
T. Rowe Price Trust Company	International Emerging Market Management	2,114,667
UBS Global Asset Management	Multi-Asset Management	665,759
<b>Total Commingled Account Public Market Management Fees</b>		<b>\$10,041,079</b>

#### Separate Account Public Market Management Fees

Aberdeen Asset Management	Global Fixed Income/Emerging Active Management	555,958
Acadian Asset Management	International Equity Active Management	1,383,536
AEW	Real Estate Investment Trusts	79,656
Alliance Bernstein	International Equity Active Management	1,240,364
American Century Investments	International Equity Active Management	505,622
Brandywine Asset Management	Global Fixed Income Active Management	203,249
Bridgewater Associates	Global Fixed Income Active Management	520,682
Dodge & Cox	US Credit/Government Bond Management	211,609
ELL Realty Services, Inc.	Real Estate Investment Trusts	192,625
Grantham, Mayo, Van Otterloo	Large Cap Quantitative Management	784,380
Heitman Real Estate Securities, LLC	Real Estate Investment Trusts	76,281
Janus Institutional Asset Management	Large Cap Growth Management	807,690
Loomis, Sayles & Co.	High Yield Fixed Income Active Management	550,205
LSV Asset Management	International Equity Active Management	1,187,609
Morgan Stanley Asset Management	International Equity Active Management	984,503
Pyramis Global Advisors Trust Company	International Equity Active Management	964,124

Charge Category	Service Provided	Charges
RREEF America LLC	Real Estate Investment Trusts	117,977
Standish Mellon Asset Management LLC	Cash Management Service	25,557
Stone Harbor Asset Management	Emerging Market Fixed Income Active Management	487,880
Total Separate Account Public Market Management Fees		\$10,879,505

**Total Quarterly Charges to Funds**

**\$52,613,591**

*\*Fees paid to fund managers are established as a percentage of the capital committed. As assets in a fund are sold, the management fees paid are typically reimbursed from the profits of the fund.*

*\*\*Expenses for private equity management fees are estimated and adjusted annually based upon committed capital or assets under management, determined by management contract terms. Total committed capital includes management fees. All capital contributions to the limited partnership must first be returned to the limited partners before any incentive fees are paid to the general partner.*

## Explanations of Direct Charges

### Custodial & Banking Fees

*Wisconsin Certificate of Deposit Program:* Under a contract with SWIB, Bankers' Bank administers the program under which the State Investment Fund (SIF) purchases certificates of deposit from Wisconsin-based banks and thrifts. Most administrative costs are paid by the participating banks. SWIB's expenses are \$2,500 per quarter to help underwrite other administrative costs, such as insurance that SWIB requires to be purchased.

*BNY Mellon:* Provides master custody services (safekeeping of assets, income collection, valuations and accounting) for public and private domestic and foreign securities in the Wisconsin Retirement System (WRS), the SIF and the smaller funds. In addition, SWIB receives performance measurement and analytical services from BNY Mellon Analytical Solutions through its custodial contract with BNY Mellon, which serves as the official book of record for SWIB's accounting and performance measurement functions. BNY Mellon provides the data and analytical tools used by SWIB for compliance and risk management. Fees for these services are established by contract.

*US Bank:* The State of Wisconsin has contracted with US Bank to be the state's working bank. The fees paid to US Bank by the SIF reflect bank service charges that are not directly applicable to the fund participants. These fees are distributed to the fund participants through the monthly SIF earnings process.

### Legal Fees, Services and Expenses

Under authority delegated by the Attorney General, pursuant to s. 25.18 (1) (a) Statutes, SWIB may employ legal counsel for any matters arising out of the scope of its investment authority. This includes legal services relating to bankruptcies, class actions, private markets transactions, fiduciary advice, securities law, investment litigation, and other similar matters. Capitalized fees incurred during the asset acquisition process are reported separately as a charge against the value of the asset. The Attorney General annually reviews and approves a list of law firms to provide investment legal services for SWIB and reviews related legal fees.

### Investment Counsel

Current law gives SWIB the authority to employ investment counsel in any matters arising out of the scope of its investment authority. Investment research and services provided include global market, industry, economic and company information, financial and performance analytics, news information, pricing and exchange data, credit ratings, financial modeling, economic forecasting, trading services and a variety of Board consultations. These services enable SWIB to perform due diligence on current and future holdings and assist in monitoring investments.

### Real Estate Investment Management Services

SWIB hires real estate advisors to assist with sourcing analysis, due diligence and management of real estate investments. SWIB also invests in funds, typically limited partnerships. Each fund either has a general partner or engages a fund manager with delegated authority to make real estate investments for the fund. Real estate advisory fees are usually based on a percentage of assets under management. Fees paid to fund managers are established as a percentage of the capital committed. As assets in a fund are sold, the management fees paid are typically reimbursed from the profits of the fund.

**Private Equity Management Fees**

SWIB invests in private equity funds, typically limited partnerships that in turn make individual private equity investments. Each fund is managed by its general partner or fund manager with delegated authority. Fees are established as a percentage of the capital committed to each fund or partnership. As assets in a fund are sold, the management fees are typically reimbursed from the profits of the fund.

**Public Market Active Management Fees**

Within broad guidelines established by SWIB, these managers have been delegated authority to determine strategy and purchase securities in SWIB's name under a separate and distinct account. This relationship is used primarily in the management of international equity and fixed income investments. Fees are typically assessed as a percentage of the market value of assets under management and may include other factors.

BNY Mellon invests the cash from the externally managed portfolios and internally managed international equity portfolios that have yet to be invested in stocks or bonds. Due to settlement times around the globe, these funds cannot be effectively managed in the State Investment Fund. The fees are negotiated as part of the custodial contract.

**Indexed, Enhanced and Commingled Fees**

SWIB has investments in a number of externally managed funds that seek to replicate the returns of a particular public market index (such as the Russell 1000) or seek to enhance the return from a particular public market index through the use of quantitative models or other strategies. SWIB's investments are commingled with other investors, and the underlying securities are owned in the name of the fund manager. Fees are typically based on a percentage of assets under management and may include other factors, such as performance.

**Asset Specific Charges**

Asset specific charges include expenses that are directly associated with the ongoing activity of an asset such as appraisals or bankruptcy costs. Unlike other expenses reflected in this report, these expenses are netted in gross returns of the asset, consistent with standard industry practices.

**STATE OF WISCONSIN INVESTMENT BOARD**  
**Report of Asset Specific Charges and Capitalized Legal Fees - Accrual Basis**  
**Quarter Ending December 31, 2009**

Charge Category	Service Provided	Charges
<b>Legal Fees, Services and Expenses</b>		
Foley & Lardner	Investment Legal Services	\$1,322
Michael Best & Friedrich	Litigation & Private Markets Investment Transactions	615
Reinhart Boerner Van Dueren	Private Markets Investment Transactions	120,450
Robins, Kaplan, Miller & Ciresi L.L.P.	Legal & Accounting Litigation	104,963
Solheim, Billing & Grimmer SC	Private Markets Investment Transactions	11,473
<b>Total Legal Fees, Services and Expenses</b>		<b>\$238,823</b>

**Total Asset Specific Charges** **\$238,823**

<b>Capitalized Legal Fees</b>		
Foley & Lardner	Investment Legal Services	11,000
Mayer, Brown & Platt	Real Estate Transaction	14,589
Michael Best & Friedrich	Litigation & Private Markets Investment Transactions	15,731
Reinhart Boerner Van Dueren	Private Markets Investment Transactions	8,669
Solheim, Billing & Grimmer SC	Private Markets Investment Transactions	<u>20,614</u>

**Total Capitalized Legal Fees** **\$70,603**

This table includes expenses that are capitalized at the time of acquisition or directly associated with the ongoing activity of an asset such as appraisals or bankruptcy costs. Unlike other expenses reflected in this report, these expenses are reflected in the value of the asset or netted in gross returns of the asset, consistent with standard industry practices.

# Wisconsin Retirement System Assets Internal & External Management

## ATTACHMENT D

Wisconsin Retirement System (WRS)	3/31/2009		6/30/2009		9/30/2009		12/31/2009	
	Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent	Amount (in millions)	Percent
Internally Managed	\$21,866	39.1%	\$25,178	39.8%	\$29,038	40.9%	\$30,017	41.2%
Externally Managed Dedicated Accounts	9,837	17.6%	11,477	18.1%	13,984	19.7%	14,332	19.7%
Externally Managed Commingled Accounts	24,289	43.4%	26,685	42.1%	27,903	39.3%	28,496	39.1%
1. Passive Index Funds	9,631	17.2%	10,876	17.2%	12,014	16.9%	12,530	17.2%
2. Enhanced Index Commingled Funds	6,745	12.0%	7,039	11.1%	6,188	8.7%	5,668	7.8%
3. Limited Partnerships	5,338	9.5%	5,323	8.4%	5,586	7.9%	5,945	8.2%
4. Actively Managed Commingled Accounts	2,575	4.6%	3,446	5.4%	4,116	5.8%	4,353	6.0%
TOTAL WRS Assets	\$55,991	100.0%	\$63,340	100.0%	\$70,925	100.0%	\$72,845	100.0%

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